

NEW TAX PAYMENT OPTIONS & EASIER INSTALLMENT AGREEMENTS

WASHINGTON -- Taxpayers who face a different type of "pay" day on April 15 have some new electronic options this year, and those seeking installment plans will benefit from the Internal Revenue Service's streamlined approval process.

Taxpayers who e-file by computer may authorize the government's financial agents to take the money directly from their checking or savings account. This is similar to direct debit arrangements many people have for their monthly mortgage, auto, utility or insurance payments, except it is for a single transaction. There is no charge for this service. As of April 2, more than 33,000 e-filers had chosen direct debit payments, averaging \$1,070.

Another innovation this year allows taxpayers to charge the balance due on a credit card. Any person may call toll-free to 1-888-2PAY-TAX to charge the 1998 federal income tax to a MasterCard, Discover, or American Express card. Only the 1998 taxes may be charged, not estimated taxes for 1999. Taxpayers who use Intuit tax preparation software to e-file from home may pay the balance due by including their Discover Card number as part of the electronic file they send.

Under both the phone and computer methods, private sector companies process the credit card transactions and the users pay convenience fees. The IRS is not involved in setting or collecting the fees. The cardholder's account statement will show tax payments and fees separately. As of April 2, the IRS had received about 5400 credit card payments, averaging \$1,445.

Taxpayers who cannot pay the full tax due may set up an installment payment plan with the IRS. Last year, Congress gave taxpayers a right to an installment agreement, provided certain conditions are met, including that the tax owed is not more than \$10,000 and the taxpayer will pay it within a three-year period. The IRS went beyond these limits in recently streamlining its approval process for installment agreements.

(more)

The IRS will now grant installments to taxpayers who agree to pay a balance due of \$25,000 or less within a five-year period. These agreements do not require a collection manager's approval, and do not involve the filing of liens. Taxpayers may make these agreements in person, by phone, or by correspondence. This streamlined process applies to both individual and business income taxes, and to any type of tax for a business that is no longer operating.

Instead of waiting for a contact from an IRS collector, taxpayers may ask for an installment plan when they file their returns. They should attach Form 9465, "Installment Agreement Request," to the front of the tax return, listing the proposed monthly payment amount and the day. They may also choose to have the payments taken automatically from their bank account. The IRS will generally let them know within 30 days if the proposal is accepted.

Form 9465 is available from the IRS Web site at www.irs.ustreas.gov, by calling (toll-free) 1-800-TAX-FORM, or from IRS TaxFax. From a fax machine, call 703-368-9694 -- not a toll-free number -- and request item #14842 by return fax.

There is a \$43 fee for setting up the installment agreement. Taxpayers on an installment agreement will also pay interest -- currently figured at eight percent per year, compounded daily -- plus a monthly late payment charge of 0.5 percent of the balance due. After 1999, this monthly penalty drops to 0.25 percent for taxpayers with an installment agreement, provided they had filed the return on time and did not receive a notice that the IRS intended to enforce collection through a levy.

Besides possibly qualifying for this reduced late payment penalty, people who cannot pay the taxes owed have another good reason to file their returns on time -- to avoid the late filing penalty of five percent per month of the balance due. Sending as large a payment as possible with the return will lessen any interest and penalty charges.

Taxpayers should make checks payable to "United States Treasury" and should include their name, address, Social Security number, a daytime phone number, the tax year and the form filed. They should not attach the checks to the tax forms, and should send any 1999 estimated tax payments separately.

The IRS has received nearly 70 million returns and processed almost 55 million refunds, totaling \$86.4 billion. At \$1,575, the average refund is up 15 percent from this time last year.

X X X

1999 FILING SEASON STATISTICS

Cumulative through the week ending 4/3/98 and 4/2/99

	<u>1998</u>	<u>1999</u>	<u>% Change</u>
Individual Income Tax Returns			
Total Receipts	67,426,000	69,618,000	3.3
Total Processed	59,332,000	60,363,000	1.7
E-filing Receipts:			
TOTAL	21,422,000	24,996,000	16.7
TeleFile (phone)	5,116,000	4,829,000	- 5.6
Computer	16,306,000	20,167,000	23.7
Tax Professionals	15,600,000	18,357,000	17.7
Self-prepared	706,000	1,810,000	156.3
Refunds Certified by the Martinsburg Computing Center:			
Number	52,703,000	54,886,000	4.1
Amount of principal	\$72.155 billion	\$86.431 billion	19.8
Average refund	\$1369	\$1575	15.0
Direct Deposit Refunds:			
Number	16,036,000	18,953,000	18.2
Amount	\$29.551 billion	\$39.328 billion	33.1